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June 29, 2012

Ms. Karen Sawislak, Executive Director
Local 20 IFPTE
AFL-CIO/CLC
835 Howard Street
San Francisco, CA 94108

Dear Ms. Sawislak:

This letter and its attachments will confirm the proposed agreement discussed on by the Company's Negotiation Committee and the Union's Negotiating Committee in General Negotiations with respect to the ESC Agreement.

Union Committee Position

The ESC Local 20, IFPTE Bargaining Committee is recommending a "Yes" vote on the ratification of this Agreement.

Ratification Vote

The Company's GWI, Working Conditions, and Benefits proposals are dependent upon ratification of both the ESC and Benefits Agreement. Implementation of the GWI, working conditions and benefits changes will not occur until the Agreement and the Medical, Dental, Vision Agreement, Benefits Agreement ("Benefits Agreements") are ratified.

1. Term

The ESC Agreement; Medical, Dental, Vision; and Benefits Agreement will have a three-year term of January 1, 2012 through December 31, 2014.

2. Wages and Contingent Compensation

The general wage increase for January 1, 2012 will be paid at the earliest possible date available from Payroll.

Hourly and Monthly ESC Employees Currently in STIP

For hourly employees and monthly ESC employees currently participating in STIP, the Company will grant a general wage increase, using normal rounding, of 2.75 percent (2.75%) effective January 1, 2012; 2.75 percent (2.75%) effective January 1, 2013; and 2.75 percent (2.75%) effective January 1, 2014.¹

Current incumbents with a rate of pay above the range maximum will not receive Progressive Wage Increases, but shall continue to receive future General Wage Increases.

¹ The 2.75% wage increase for hourly and monthly employees who already participate in STIP will be retroactive to January 1, 2012.

STIP Phase-in for ESC-Represented Exempt Employees Not Currently in the STIP Program:

Conversion of Existing Monthly Employees without Short-Term Incentive Program (STIP)

Monthly employees currently not included in STIP will be given General Wage Increases² and will be eligible for STIP awards based on the table below. These groups are Distribution Engineers; Land/CRE; Project Engineers; Protection Engineers; Project Managers and Analysts; SASI Engineers; M&C Engineers; and Electric Standards Engineers.

Year	GW amount	STIP target participation rate	Example: DE Monthly Max Pay (2011 max is 10,445/month)	Example: DE STIP amount (individual rating is 100%)
2012	1%	3%	10,549	3,798
2013	1%	6%	10,655	7,672
2014	1%	10%	10,762	12,914

STIP Program for all ESC-represented employees in STIP

Eligible employees will be included in the Company's Short Term Incentive Plan (STIP) that is established for each plan year.

The conversion will not impact the target participation rate of ESC-represented employees currently in STIP.

ESC employees will receive STIP individual performance modifiers that are equal to the average of the individual modifier for non-represented PL1 and PL2 employees with the corresponding performance ratings.

The modified Management ranges are shown below.

		Goal Ratings		
		Below Target	Target	Exceeds Target
Competency Ratings	Role Model	65 - 90%	110 - 120 %	120 - 150 %
	Successful	50 - 75 %	90-110%	110 - 120 %
	Developing	0%	50 - 75%	65 – 90 %

The Senior Vice President or Vice President of Human Resources will review any determination that an employee would not receive an incentive plan payment.

A one-time lump payment of \$1000 will be payable to all "Z groups" (Nuclear Engineers and Professionals, Hydro Professionals, Environmental Professionals, Telecom Engineers, and Distribution Outage Coordinators) with the 2012 STIP payment.

An ad-hoc salary and pay parity study will be conducted for the "Z groups", Mapping Technicians, and Field Engineers.

3. Performance Management

The Company and Union share a common goal of establishing PG&E as the standard of success by which other utility providers will be measured. In regards to employee performance management, the Company and Union place a high importance on direct and timely feedback.

² The 1% wage increase for monthly employees who will begin to participate in STIP will be retroactive to January 1, 2012.

Whenever practicable, employees will be given reasonable notice of specific performance issues and an opportunity to improve before STIP awards are reduced. However, the parties recognize that there might be circumstances that may not allow for advance notice.

4. Rewards and Recognition

Letters of Agreement 00-21 and 92-9 will be consolidated and modified to increase the maximum award for Rewards and Recognition to \$400 for all ESC employees per quarter and allow for gift cards.

5. Hiring Hall Improvements

The Company and Union agree to modify Exhibit C in order to permit dispatch of lead classifications if no regular employees are available for upgrade and to improve planning and review of Hiring Hall candidates' qualifications.

6. Monthly Working Conditions and Staffing Processes

The language describing modified working conditions for monthly classifications in Letters of Agreement which have previously been attached as Exhibits to the Contract (Exhibits Q, R, T, U, V, W, X, Y, Z, Z-1, Z-2, and Z-3) has been standardized and parts have been moved into the main contract body. Also, staffing processes for monthly positions have been changed and somewhat standardized.

- Job Descriptions for each classification group will be moved into Exhibit D. Other functional language from each LOA/Exhibit will be kept intact and placed at the front of each classification group within Exhibit D, and will continue to apply to all classifications in the group.
- Subsections 7.1, 7.3, 7.4(f), 8.5, 11.6(a), 16.2, 16.4, 16.6 were clarified and new subsections 7.9, 9.16, 11.6(c), 16.7, 27.2.d(2), and Exhibit D.III.B have been added to harmonize the language for all monthly classifications.
- Subsection 21.4(b) has been added to allow signing bonuses, management relocation and extra vacation to be at the Company's discretion for new monthly hires.
- The parties agree to add new Subsections 21.15 through 21.18 to allow employees to use the job bidding system to indicate their 22.3(c) rights and preference in lateral assignments and temporary assignments to monthly positions. The staffing process will use a combination of methods for filling vacancies, including a newly modified joint selection panel process. This is not intended to supersede the advancement provisions of any of the previous Exhibits.
- Under new Subsection 21.17(c), the Company and Union agree to allow half of the positions identified as beginning level, monthly jobs to be filled by unrestricted appointment.

7. Returns Rights to Bidding Unit

Section 22.3 will be modified to allow accelerated return rights to a displaced employee's original bid unit.

8. Personal Vehicle Use

ESC-represented employees may use their personal vehicle to attend training at other than their regular headquarters or for company business between headquarters, provided that such vehicles comply with all company policies, are presentable, and in safe working condition. The Company will not pay for damage or insurance deductibles on employees' personal vehicle if damaged while on company business. Employees may request and the Company may approve use of the employee's personal vehicle for job site visits or to meet with customers at their homes or in the field.

9. Field Engineering Training Update

The ESC-PG&E General Construction Labor-Management Committee will meet to revise and update the Field Engineering Training Program originally set forth in 1998 Labor-Management minutes. The training

program revisions will be completed and reported to the Engineering & Mapping Labor-Management Committee by the end of 2012.

10. GC Clearances

ESC and Company recognize that a Qualified Electrical Worker (QEW) is responsible for an electric clearance if prepared and/or submitted by a Field Engineering Technician, SFET or Field Engineer.

11. SNBRs and IPEs Training Materials

The Engineering and Mapping (E&M) Labor-Management Committee shall establish a sub-committee to review and recommend training materials and programs for SNBR's and IPE's, including the availability and need for additional training. The sub-committee will begin to report annually to the E&M Labor-Management Committee by the end of 2012.

12. Newly Hired Monthly Employees

The parties agree to add a newly created Subsection 13.5(c) so as to make monthly employees eligible for leaves of absences, holidays, vacation, and job bidding and promotion. Probationary status for these employees did not change with regard to termination.

13. Service Planner Agreement

Those employees whose service was reduced for purposes of Title 21 and 22 under the Service Planner Agreement, LOA 96-21, will be restored to their full company service under Title 13.3, effective upon ratification of this agreement.

14. Travel Time

The Union and Company agree to modify Subsection 10.20 such that travel time will be paid at the appropriate rate of pay instead of at the straight time rate.

15. Land/Environmental

- Joint Selection Panels
The parties agree to implement joint selection panels in place of examinations for Land Agents, Chief of Party, and Lead Land Technician classifications.
- Job Descriptions
The parties agree to revise and update the job descriptions for Land Technician and Senior Land Technician classifications in Exhibit D.
- Equity Increases
The Company and Union agreed to salary range increases for the Senior and Senior Consulting Cultural Resources Specialist classifications in order to make their pay equivalent to Senior and Senior Consulting Biologists. The parties also agreed to a 5% pay increase to the salary range maximum for the Principal Right-of Way Agent classification.
- Years of Experience for Senior Consulting Environmental Scientist
The parties agree to modify the minimum required years of experience for the Senior Consulting Environmental Scientist classification from 20 to 13 years of experience.
- Document Writer Classification
Company and Union agreed to eliminate the Document Writer classification. The two current incumbents will have the option to become Principal Land Agent, provided they meet the

qualifications of the position as of 12/31/2011. If the incumbents are not qualified or choose not to advance to the higher classification, they will become Present Incumbent Only under the provisions of Section 15.7 of the agreement.

- Land Department Performance Standards
The parties agree to modify LOA 06-06 (Exhibit R) to ensure consistency with other groups participating in STIP.

16. Ad Hoc Committees

- Gas Transmission
The parties agree to convene an ad-hoc committee to explore potential changes to Gas Transmission classifications and Lines of Progression, including Estimating, Mapping and Design. This might include new classifications and/or testing requirements. The Company will share and discuss long-term workload and staffing levels related to pipeline safety and gas infrastructure maintenance.
- Grievance Procedure
The parties will convene an ad-hoc Grievance Procedure Improvement Committee. The Company will provide information on the timeliness of grievance processing, and the committee will look for ways to improve the efficiency of grievance processing. The committee will also evaluate the benefits and feasibility of enlarging the Review Committee.
- GIS Development
Company and Union will establish a joint Enterprise GIS Development ad-hoc committee. The purpose of the committee will be to define the role of the ESC-represented GIS professionals in the Company's Enterprise GIS. Gas and Electric may be separate committees at the Company's choice.
- EOT/Bypass Procedure
In recognizing the critical role in the safe operation of a public utility, where public and employee safety are paramount, the Company and Union agree to discuss the subject of Emergency Call-out for Estimators, ADE's, Mappers, Senior New Business Representatives and Industrial Power Engineers in an ad-hoc committee. The committee will address the following topics:
 - Sign-up and call-out procedures between and among Service Centers and RMC's (SO205 response);
 - Roles during major events, in storm rooms, including damage assessments in the field; and
 - Failure to call out appropriate ESC-represented personnel.

The ad-hoc committee will commence within 6 months of ratification and conclude within one year of commencing.

- M&C Engineers' Letter of Agreement
The Company and the Union agree to establish a joint committee to discuss changing the M&C Letter of Agreement per the modifications in the Project Services Letter of Agreement.
- Protection Engineering
The Company and Union will convene an ad-hoc committee to evaluate the implementation of the Transmission and Distribution disciplines in Protection Engineering and explore potential modifications to the Protection Engineers job description and classification specific provisions.

17. Materials Inspector

The Company and Union discussed the importance of Materials Inspectors and the progression from Assistant Materials Inspector. Company will post and fill one Materials Inspector position in Fresno when a qualified candidate is available.

18. Joint Steward and Supervisor Training

The Company and Union will develop a plan to deliver Company and Union sponsored training for Union Stewards and Supervisors. This Training will focus on Labor-Management best practices for resolving differences at the lowest levels of the grievance procedure, in order to promote harmony and efficiency at PG&E workplaces. The training will be developed and implemented system-wide before the end of the term of this contract.

19. Tuition Refund

Exhibit E, tuition reimbursement will be modified so that reimbursement is now \$6,000 per calendar year for all job or career-related courses or degree programs.

20. Contract Clean-up

The agreed upon language changes from the Contract Clean-up Committee are attached.

21. Meals

The Company will maintain the current practice in place. The Company will adopt any revisions by the Joint Meals Committee as appropriate for ESC. Upon contract ratification, suspend itemized receipt requirements and menu restrictions for meals \$30 or less. Itemized receipts will be required for meal expenses over \$30 and the menu restrictions under the Meals Supplement will apply.

22. Successor Clause

The parties agree to add a Section 3.4, "Successor Clause" in the event of transfer of ownership of the Company.

23. Agency Shop

The Union and Company agree to end the exemption of employees hired before December 1, 1970 from the agency shop provisions of Section 4.1, effective January 1, 2013.

24. Safety Committee

During negotiations, the Union and the Company discussed safety at length and reaffirmed their mutual commitment to public and employee safety. Both sides recognized that ESC-represented employees participate in the Company's safety activities such as area safety committees, and that the Company will engage with the Union on ESC-represented employees on Grassroots Safety Committees.

25. Severance Agreement

The Union and the Company agree to modify the Severance Agreement in Exhibit J.

26. Overtime for Mapping Technicians

The parties agree to modify RC 722 as follows:

A Senior Mapping Technician who has not passed the Lead/Principal Test and/or a Mapping Technician may be assigned to work alone, or in the absence of a Principal, Lead or Senior Mapping Technician (passed test) as situations require during normal work and overtime hours. In these situations, a Senior

Mapping Technician and/or a Mapping Technician may perform the mapping duties identified by the Mapping Supervisor and Lead or Principal Mapping Technician to which the employee has demonstrated the ability to perform.

Lead or Principal Mapping Technicians may also be called out by the Supervisor to provide guidance.

27. IPE Years of Experience Requirement

The Union and the Company agree to change the required minimum years of experience for an IPE from 1 to 5 years of experience.

28. Disconnect/Reconnect

The parties agree to modify Letter of Agreement 10-21 (formerly LOA 06-08) to modify the types of situations where estimating review is required and direct dispatching is not appropriate.

29. Estimating Performance Standards

The 2009 Table Agreement line item 17 stipulated that the parties agreed to meet and establish performance standards based on the 1999 Service Planner Agreement for Estimators. This language is to be expanded and applied to incorporate estimating baseline production for all estimating work (i.e., customer contact, production estimating, reasonable equivalency indices, etc).

30. Revisions to the Project Services' Letter of Agreement

Letter of Agreement R1-08-18 will be updated to require a Project Management Certification (PMP) credential for all Senior Project Managers (Sr. PMs) and either a CAPM or PMP certificate for Senior Project Controls Analysts, with grandfathering to previously promoted Sr. PM's and Sr. PCA's. In addition, the alternating tiebreaker language will be removed. The Company and Union also agree to other modifications in the LOA.

31. Clarification for Seniority Tiebreakers

The Company and Union agree to modify Subsection 21.2(i) to remove an employee's application date as a criterion for tie-breaking in determining seniority.

32. Associate Engineer Minimum Pay

The 2012 salary range minimum for the Associate Engineer (or Associate Project Manager) classification in Distribution Engineering, Project Engineering, Protection Engineering, Substation Lifecycle Engineering, Project Management, Electric Standards, and M&C Engineering will be reduced to \$5,416.67 per month (\$65,000 per year). When promoted from an NBU Entry Engineer position, new ESC Associate Engineers will receive an increase to the pay range minimum or a 5% increase, whichever is higher.

33. Medical Plan

PG&E and ESC acknowledged the complexity of healthcare issues early in the joint education process this year and reached tentative agreement on a plan that focused on keeping employees healthy while at the same time keeping premiums and out-of-pocket costs among the lowest in the nation. The parties agreed to establish a phased-in approach of the medical plan changes:

Effective 2013, reduce healthcare administrators from 4 to 2 and continue 2012 medical plan design; Effective 2014, implement new single plan design with 2 plan administrators, which focuses on promoting quality preventive care and incentives for healthy choices.

Features of the new plan design include:

- Four free primary care visits every year for each family member;
- Unlimited free maternity and well-baby office visits;
- List of free preventive medication and routine lab work;
- A one-stop shop wellness program;
- Incentive based, tax-free funded Health Account that enable employees to have a \$0 deductible under the new health plan design; and
- Except in the limited circumstance described below, the parties agree that they will not seek modifications to the HRA funding, co-insurance, deductible, and out of pocket maximum (OOP) levels over the next 9 years. This obligation shall survive the expiration of the parties' current collective bargaining agreement and all future collective bargaining agreements through December 31, 2020. However, this obligation shall be null and void and the collective bargaining agreement shall be reopened on the topic of medical benefit plan design in the event there is a modification in the federal or state law regulations governing medical plan benefits or any other government agency ruling or pronouncement that results in a substantial and serious change in funding or costs associated with the medical benefits offered.

See attachment.

34. Medical Plan Collaboration

The Company and Union will continue their joint collaboration to identify high-quality providers for various medical services.

35. Hearing Aids, effective January 1, 2014

Hearing aids to be covered at 80% for features determined medically necessary.

36. Dental Plan, effective January 1, 2014

Dental implant coverage to be covered under major care of the Dental Plan.

37. Vision Plan, effective January 1, 2014

Replaces the current VSP signature Plan with the VSP Choice Plan. See attachment.

38. Cash Balance Pension Plan/Automatic RSP Enrollment

Effective January 1, 2013, new employees hired on or after January 1, 2013, will be covered by a new cash balance defined benefit pension plus increased employer match in the Retirement Savings Plan (RSP). The new plan will not affect employees hired before January 1, 2013, who will remain in the current pension plan. Current employees who might want the new pension plan and higher RSP match will be given the option to elect the new plan effective 2014. The cash balance pension design will annually credit each employee with a percentage of pay (between 5% - 10% based on age + service) which will accumulate with interest during employment. A higher employer match will automatically apply to RSP contributions made by employees participating in the cash balance plan. See attachment.

Effective January 1, 2013, employees participating in the cash balance plan will be automatically enrolled in the Retirement Savings Plan upon reaching eligibility for company matching contributions (one year of service). Automatic enrollment payroll deductions will equal the percentage of pay eligible for company match (8% of pay). Employees may increase, reduce or cancel the payroll deduction at any time.

Except in the limited circumstance described below, PG&E agrees that it will not in any future negotiation seek to transition those current employees who have elected to continue earning benefits under Part II of the Pacific Gas and Electric Company Retirement Plan to the Cash Balance provisions of the Plan and

this obligation shall survive the expiration of the parties' current collective bargaining agreement and all future collective bargaining agreements. However, this obligation shall be null and void and the collective bargaining agreement may be reopened on the topic of pension in the event that there is a modification in the federal or state law or regulations governing the Plan or any other government agency ruling or pronouncement that results in a substantial and serious change in funding obligations or other cost associated with the Plan.

39. Pension Adjustment

Certain retirees will receive a pension adjustment as follows effective March 1, 2012:

Retired before 1987	5.0%
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40. Group Life Insurance Changes effective January 1, 2014

This is a packaged offering for life insurance plan provision changes including expanded age-rated supplemental life insurance benefit options to employees that will replace the flat rate premium. New benefits included in this packaged proposal would be Spousal/Domestic Partner, Child and Accidental Death and Dismemberment (AD&D) insurance options and enhanced Will Preparation benefits.

The benefit design and costs for supplemental life insurance and other ancillary benefits such as Accidental Death and Dismemberment, and dependent coverage options, and other administrative changes are provided in Attachment C.

41. LTD Adjustment

Effective January 1, 2013, participants who are receiving Long-Term Disability benefits will have their monthly LTD benefit increased by the following adjustments:

<u>Date of LTD Eligibility</u>	<u>Increase</u>
Before January 1, 2000	5.0%
1/1/00 to 12/31/06	2.5%

Board Approval and ESC Membership Ratification

All proposed changes to the agreement reached for the general wage increase and Benefits are subject to PG&E Corporation Compensation Committee approval and ratification by the ESC membership.

Effective Date

The changes made in the Table Settlement for the Medical, Dental, Vision Agreement and Benefits Agreement will have an effective date as noted.

Attached are amended Contract sections as agreed to during the negotiations, as follows:

- A. Changes to ESC Agreement and its Exhibits and Supplements
- B. Benefit Agreement

If any of the above or the attachments thereto are not in accordance with your understanding of our settlement, please let me know immediately.

Sincerely,

Jeff Delaney
Principal Negotiator

Attachments